



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI  
Chief Executive Officer

March 11, 2016

To: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: Sachi A. Hamai  
Chief Executive Officer

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Second District

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Third District

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Fifth District

## **SACRAMENTO UPDATE – CONSTITUTIONAL AMENDMENT TO REPEAL THE CALIFORNIA PUBLIC UTILITIES COMMISSION**

### **Executive Summary**

On February 9, 2016, the Board directed this office to provide a report on legislation, once introduced, that would reexamine the role of the California Public Utilities Commission (CPUC). This memorandum provides an interim report on ACA 11 (Gatto), which as introduced on March 9, 2016, would place before the voters an initiative to repeal the constitutional mandate and authority of the California Public Utilities Commission.

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### **Constitutional Amendment to Repeal the California Public Utilities Commission**

**ACA 11 (Gatto)**, which as introduced on March 9, 2016, would, upon voter approval:

- 1) Authorize the Legislature to reallocate or reassign all or a portion of the functions of the California Public Utilities Commission to other State agencies, departments, boards, or other entities, consistent with specified purposes;
- 2) Direct the Legislature to adopt appropriate structures to provide greater accountability for the public utilities of the State and provide the necessary guidance to the CPUC to focus its regulatory efforts on safety, reliability, and rate-setting and to implement statutorily authorized programs for reducing emissions of greenhouse gases; and
- 3) Repeal the provisions of the California Constitution pertaining to the CPUC effective January 1, 2019.

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Each Supervisor  
March 11, 2016  
Page 2

The California Constitution establishes the CPUC, with jurisdiction over all public utilities and grants the Commission certain general powers over all public utilities, subject to control by the Legislature. Those industries include: privately owned electric, natural gas, telecommunications, water, and transportation companies, as well as publicly and privately owned railroad and rail transit companies/agencies, and rail crossings.

The California Constitution also authorizes the Legislature to confer additional authority and jurisdiction upon the CPUC that is cognate and germane to the regulation of public utilities, to establish the manner and scope of review of CPUC action in a court of record, and to enable the CPUC to fix just compensation for utility property taken by eminent domain. The Public Utilities Act and other provisions of the Public Utilities Code set forth the structure, funding, and responsibilities of the CPUC.

According to the author, the CPUC's response to the recent gas well leak at the Aliso Canyon gas storage facility in Porter Ranch, as well as an independent study of the CPUC's oversight after the 2010 San Bruno pipeline explosion, has raised concerns regarding the Commission's ability to regulate the wide range of industries over which it has authority. As a result, both the public and the Legislature are not confident that CPUC regulators are able to properly exercise oversight of utilities or to act decisively to protect communities under the current system, which cannot be changed without this initiative. The author also indicates that ACA 11 would address these concerns by placing before the voters an initiative to remove the constitutional protections currently enjoyed by the CPUC and, if approved by the voters, require the Legislature reassign regulation of industries unrelated to the CPUC's core functions to more appropriate State bodies and provide greater accountability to Californians. Subsequently, the Legislature would be able to exercise the same influence on State utility policy as it has with other state entities through legislation.

As a Constitutional Amendment, ACA 11 would require a 2/3 vote of the Legislature for passage. If passed by the Legislature and signed by the Governor, the Constitutional Amendment would be placed on a ballot for voter consideration. If approved by a majority of the voters, ACA 11 would take effect the day after the election.

ACA 11 is pending referral to a policy committee for a hearing.

This office is working with County Counsel, the Internal Services Department, and Public Works to review the bill's provisions and report back on its potential impact to the County.

We will continue to keep you apprised.

SAH:JJ:MR  
AO:gl

c: All Department Heads